

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY

MEMORANDUM

To: James Beougher, Director
Child and Family Services
July 20, 1999

From: Rita Barker, Director
Office of Internal Audit

Subject: Audit of Inventory Controls and Petty Cash Accounts at Western Wayne Day
Treatment Center
Audit #99-153

The Office of Internal Audit performed an audit of food purchasing procedures, food inventory controls, policies and procedures regarding commodity inventory and purchases, and the petty cash accounts at the Western Wayne Day Treatment Center on May 4, 1999. The objective of our audit was to determine if the controls in effect at the Western Wayne Day Treatment Center are adequate to provide reasonable assurance that the risk of food items being stolen or misused is minimized, and that controls over the petty cash accounts are adequate.

The Western Wayne Day Treatment Center provides three meals a day for the participants of the program, and also operates a culinary program to teach participants who are interested in a career in that profession. As part of the program, the center caters breakfasts and lunches for various functions as requested by the Family Independence Agency.

Based on our review, we concluded the Western Wayne Day Treatment Center internal controls need improvement in order to provide management with reasonable assurance that commodities are properly safeguarded and the policies and procedures of FIA are being followed.

Food Items: We concluded that controls over the food inventory were not adequate. One person planned the meals, determined when and how much to order, placed the orders, received the shipments, and controlled the storage of the goods. The only separation of duties occurred when the Center Director approved the orders and the payments. This separation would only be effective if the Center Director reviewed and analyzed the usage, inventory, and ordering prior to signing off on the order and the payment.

Western Wayne Day Treatment Center staff did not keep inventory records and did not take inventory on a routine basis. We were informed that an inventory was last taken in October of 1998. However, the Center had no documentation of that inventory. Also, the Center did not maintain perpetual inventory records, and did not know how much should be on hand for any one item.

WE RECOMMEND that Western Wayne Day Treatment Center have someone other than the individual who does the ordering keep inventory records, and check each shipment when it is received to ensure that the order is complete, before entering the shipment into the inventory records.

WE ALSO RECOMMEND that Western Wayne Day Treatment Center have an independent person perform a quarterly physical inventory, and compare the inventory to the balance that should be on hand per the inventory records.

Western Wayne Response: Western Wayne Day Treatment Center management responded that three cooks work together to plan the meals and order the food, and that the program manager receives, reviews, verifies, and approves the proposed order. However, when we were on-site, the program manager informed us that he handles the entire process himself.

Western Wayne Day Treatment Center management also informed us that they are now taking a monthly inventory, including the canteen items.

Security Cameras: Western Wayne Day Treatment Center had a security camera system in place with two cameras. One camera was fixed on an area of the gym and the other on an area of the parking lot. At the time of our visit neither of the cameras was oscillating and there did not appear to be any one assigned to monitor the security screen. These practices reduce the effectiveness of the security cameras.

WE RECOMMEND that Western Wayne Day Treatment Center set its security cameras to oscillate in order to provide added security coverage, and assign someone to monitor the security screen.

Western Wayne Response: Western Wayne Day Treatment Center responded that the cameras are for staff protection, and not for monitoring movement of the youth. They indicated that the cameras are most effective in their stationary locations, and that staff do monitor them to ensure the safety of other staff who are leaving through the parking lot.

Canteen Operation: Western Wayne Day Treatment Center operates a canteen for its residents to “purchase” candy, chips, pop, etc. as a reward for earning points for various accomplishments. There was no money involved in this operation. The canteen items were stored in a separate locked closet and access to the items was limited.

There were no inventory records for the canteen items, and a physical inventory was not taken. Inventory records would help to detect loss of any of the items.

WE RECOMMEND that the Western Wayne Day Treatment Center Challenge Center maintain inventory records for the items in the canteen.

Western Wayne Response: See the first item above.

Petty Cash Funds: Western Wayne Day Treatment Center retains a petty cash fund of \$200, and a Manpower Information Services Transitioning Youth Fund (MISTY) of \$500. Controls over these funds appeared to be adequate.

cc. M. Jasonowicz
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